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Portugal

Exporter Guide

Annual

2004

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Report Highlights:
This report provides information on Portugal's value-added food market and provides tips to U.S. companies regarding exporting to Portugal.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Madrid [SP1]
[PO]

INDEX

EXPORTER GUIDE UPDATES

	2001	2002	2003
ECONOMIC TRENDS (1)			
Inflation (%)	4.4	3.6	3.3
Unemployment (%)	4.1	5.1	6.4
GDP at Market Prices (%)	1.8	0.5	-1.2
GDP per Capita (USD$)	14,963	15,619	N/A
AGRICULTURAL PRODUCTS IMPORTS ($ Million) (2)			
Total Agricultural, Fish and Forestry Products	5,494	5,664	N/A
Total U.S. Agricultural, Fish and Forestry Products	243	276	279
Total Consumer-Oriented Products	2,280	2,384	N/A
Total U.S. Consumer-Oriented Products	7	8	6
Total Fish and Seafood Products	957	965	N/A
Total U.S. Fish and Seafood Products	37	28	17
RETAIL SECTOR (3)			
No. of Retail Stores	25,764	24,452	N/A
Total Retail Sales (€ Million)	9,256	N/A	N/A
Retail Sales Share by Type of Store (%)			
Hypermarkets	35.4	34.7	N/A
Supermarkets	46.8	48.6	N/A
Self-Service	6.5	6.6	N/A
Food Shops	0.9	0.8	N/A
Grocery Stores	10.4	9.3	N/A

(1) Source: National Statistics Institute and Bank of Portugal
(2) Source: Statistical data for 2001 and 2002 – United Nations Statistics Division
Statistical data for 2003 – BICO
(3) Source: Sector Magazines

In the past couple of years The Portuguese economy and government financing have slowed considerably. In 2002, Portugal's budget deficit crossed the Euro area's stability and growth pact limit of 3 percent of GDP. This caused deep cuts in public spending and tax increases. The 2002 and 2003 deficits were kept below the 3 percent pact limit at 2.7 and 2.8 percent of GDP, respectively. The fiscal policy belt tightening continued in the 2004 budget. Economic recovery, although weak, is giving its first sings of convergence with the rest of the Euro zone. Growth in 2003 is estimated to have been minus 1.2 percent. Due to the economic recovery signs, 2004 growth is estimated between 0.75 and 1.75 percent.

Portugal, as an EU member state, follows all rules and regulations that govern food legislation within the European Union (Please see SECTION II – 3. Food Standards and

Regulations). The most recent piece of legislation adopted by the EU, including Portugal, relates to Genetically Modified Foods (GMO's) and went into force on April 2004. The new regulations include mandatory labeling and traceability requirements for all biotechnology products. These requirement include:

- All food, feed and processed products produced from GMOs must be labeled, including products that no longer contain detectable traces of genetically modified organisms. Therefore, the label will require a mention as "genetically modified" or "derived from GMOs" and the name of the ingredient.

- The allowable adventitious presence level for EU-approved varieties of GMOs for use in food, feed and processed products is set at 0.9 percent. Above this level, products must be labeled.

- The allowable adventitious presence for GMO varieties that have been scientifically approved by the EU but lacking final clearance is set at 0.5 percent. However, this will only be applied for a period of three years, after which it will drop to zero percent.

- Operators must have in place strict procedures to ensure the traceability of GMO products through the production chain.

- Information on the GMO product content must be transmitted from one operator to the next.

- Operators must retain the information for a period of five years and make it available to the competent authorities on demand.

NOTE: THIS REPORT WAS FIRST WRITTEN IN 1999. IT HAS BEEN UPDATED IN 2004.

SECTION I. MARKET OVERVIEW

Since Portugal's entry into the European Community in 1986, the country has undergone a remarkable transformation, experiencing rapid economic growth through the 1990's. Portugal has witnessed steady economic convergence with its wealthier European neighbors. Portugal's GDP per capita, which was 53 percent of the EU average in 1985 is now 75 percent of the EU average. Membership in the European Union has also deepened Portugal's trade relations with Europe. Portugal has been a member of the European Monetary Union since its inception on January 1, 1999.

For U.S. firms, Portugal's emergence as a full partner in Europe has meant a stable location open to foreign investment and an increasingly attractive market for exports. Portugal is an independent European market of ten million people that is somewhat under-served by U.S. suppliers and exporters because it is not one of the large European countries. Though not among the leading markets for U.S. agricultural products and despite the fact that Portugal does not rank at the top of the lists of new markets to explore, U.S. exporters should not ignore the Portuguese market. Portugal does have a number of things going for it that argue for U.S. firms to pay closer attention: significant indirect U.S. imports; strong trade links as the preeminent supplier to former Portuguese-speaking colonies in Africa.

In Portugal, modern sales techniques still coexist with some traditional practices. Modern sales techniques are generally accepted and effective but traditional values continue to be respected. Many businessmen still consider personal contact and a handshake stronger than a contract, but they will not be offended if a formal contract is requested. Most sales channels cover the entire territory so multiple distributors are generally not necessary. Distribution centers tend to be located in Lisbon in the south and Porto in the north. However, many large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, including those of the Portuguese islands of Madeira and the Azores.

As a fully integrated member of the EU, Portugal abides by the rules and regulations governing the EU. If an American exporter is already exporting to any other EU country, then more than likely the exporter already meets most of the requirements for exporting to Portugal. To expedite marketing, U.S. exporters must contact Portuguese importers and/or distributors. The Office of Agricultural Affairs in Lisbon is dedicated to helping U.S> exporters access the Portuguese market. Please contact us at:

Foreign Agricultural Service
American Embassy, Lisbon
PSC 83, Box FAS
APO AE 09726
Tel. 351-217702358
Fax: 351-217269721
Email: aglisbon@usda.gov
http://www.american-embassy.pt/

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1600-081 LISBON

Market opportunities for U.S. high-value consumer foods and beverages and fish products exist in Portugal. Below are key points regarding the market:

- Portuguese consumers have seen their purchasing power increase in recent years.
- Direct sales, large supermarkets, hypermarkets and shopping malls are part of everyday life.
- Traditional eating habits have changed drastically in the last few years.
- For consumer goods, the decisive selling factors are price, quality, brand name or the product's innovative features.

Advantages and Challenges Facing U.S. Products in Portugal

Advantages	Challenges
Portugal is a net importer of food and agricultural products.	Importers still have limited knowledge regarding the quality and supplies of U.S. consumer-oriented products.
Domestic distribution systems are efficient.	High marketing costs (advertising, discounts, etc.) are necessary.
Food products in the market are becoming more diversified.	Competition from neighboring EU countries is fierce.
Overall sales of consumer-oriented food products have increased substantially in the last years.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
The retail food market is very competitive.	Supermarkets and hypermarkets shelf space is extremely expensive.
Consumers are more health conscious, and tastes are becoming more sophisticated.	U.S. competitors who are determined to maintain market share, must conduct annual promotion activities.
Higher purchasing power and an impulse to buy makes Portugal an attractive market.	Importers prefer to take delivery on short notice from neighboring countries to avoid carrying stocks and storage charges.

SECTION II. EXPORTER BUSINESS TIPS

1. Local Business Customs

Success in introducing your product in the market depends on acquiring local representation and making personal contact. The advantages of local representation include market knowledge, up-to-date information and guidance on business practices and trade laws, sales contacts, and market development expertise. While modern sales techniques coexist with some traditional practices, many business people still prefer personal contact as a way of doing business rather than just via email, fax or phone. English is a widely spoken second language in Portugal, and U.S. exporters can expect to conduct their meetings with private and government contacts in English.

Large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, with main offices concentrated in Oporto and Lisbon. Typically, food products are imported by an importer, broker and/or a distributor.

2. General Consumer Tastes and Preferences

As consumer tastes are becoming more sophisticated, the market is increasingly characterized by a trend towards more novelties and specialities, less basic foodstuffs, more fresh fruit, seafood and meat, good vegetables and delicatessen foods. Consumers are also increasingly seeking high quality and attractive packaging. In addition, consumers are more health conscious and interested in wholesome/natural foods. Products that were considered luxury products a few years ago, such as mushrooms, asparagus, celery, tropical fruits and vegetables, ice cream and breakfast cereals, have now become ordinary consumer goods. Influenced by constant advertising in the daily and weekly press and TV, consumers tend to imitate fashionable trends, use new products and adopt new consumption habits.

3. Food Standard and Regulations

For more information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standard Report for Portugal, PO4018, dated September 2004. To get a copy of this report, please visit the Foreign Agricultural Service home page, www.fas.usda.gov and click on "attache reports" to access the search page.
This report should be read in conjunction with the equivalent report done by the FAS Office in the U.S. Mission to the European Commission (USEU), E34054 at http://www.fas.usda.gov/scripts/gd.asp?ID=146107373.

4. General Import and Inspection Procedures

Portugal uses the Harmonized Nomenclature and Classification System (HS) and applies import duties according to a maximum and minimum rate schedule. The minimum tariff schedule is applied to goods originating in countries entitled to the benefits of most-favored nation treatment (that is, members of the WTO and countries with which the EU has signed trade agreements) including the United States and most other countries.

The following documents are required for ocean or air cargo shipments of foodstuffs to Portugal:

Bill of Lading and/or Airway Bill

Commercial Invoice

Phytosanitary Certificate and/or Health Certificate when applicable

If your product is or contains plant or animal products, it will require a phytosanitary certificate issued by the competent U.S. authority. Also, if you are exporting animal products, your plant has to be approved to export into the EU.

Import Certificate

Most food products require an Import Certificate issued by the competent Portuguese authority. However, the Import Certificate is obtained by the Portuguese importer and/or the agent involved in the business and is intended for tariff classification purposes.

Please keep in mind that if the product you are exporting into Portugal does not comply with EU harmonized regulations, Portuguese customs authorities may not allow entry of the product.

For more information on import and inspection procedures please see PO4018, dated September 2004 - FAIRS Report for Portugal. To get a copy of this report, please visit the Foreign Agricultural Service home page, www.fas.usda.gov. For detailed information on the EU-harmonized legislation, please consult the EU-25 FAIRS report, E34054 at http://www.fas.usda.gov/scripts/gd.asp?ID=146107373. Also, please check the U.S. Mission to the European Union webpage at http://www.useu.be/agri/expguide.html which will guide you on exporting into the EU.

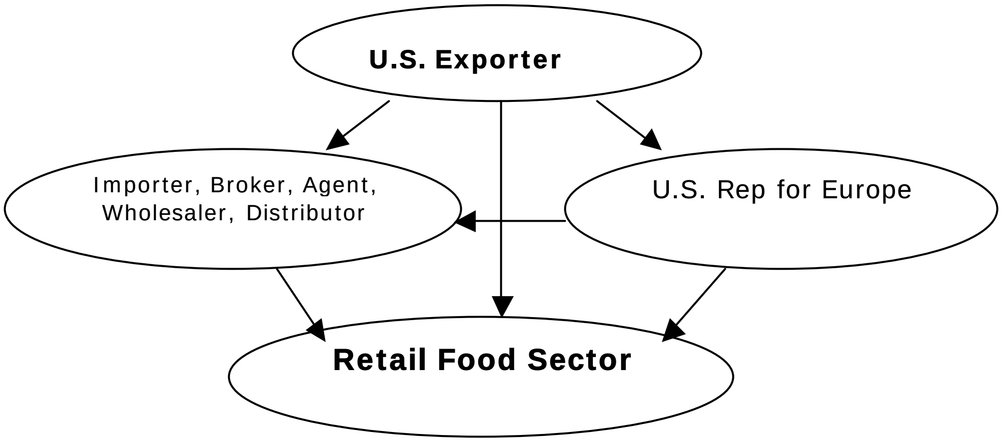
SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

1. Food Retail Sector

The Portuguese retail food market is very competitive and domestic distribution systems are efficient. Hypermarkets, supermarkets, convenience stores, hard-discount stores and specialized stores still coexist with the traditional grocery stores and wet markets, even though the total number of retail outlets has decreased by twenty percent since just five year ago.

- There is about three stores per 1000 inhabitants.
- The retail food sector is forecast to grow two percent during the next five years.
- Around 60 percent of food purchases are made in hyper- and super-markets, and this share is expected to continue to increase.
- An increasing supply of imported products has intensified competition among suppliers and retailers, adding increasing demand for high quality and attractive packaging.
- The European Union is the first supplier of imported consumer-oriented products, accounting for 90 percent of total imports.
- Retailers are expanding their scope and range of products to provide to consumers, including ready-to-eat and/or ready-to-cook foods, take away meals and home delivery.
- Internet sales are now beginning.

Market structure:



For more information on the Portuguese Retail Food Sector, please contact us at:

Foreign Agricultural Service
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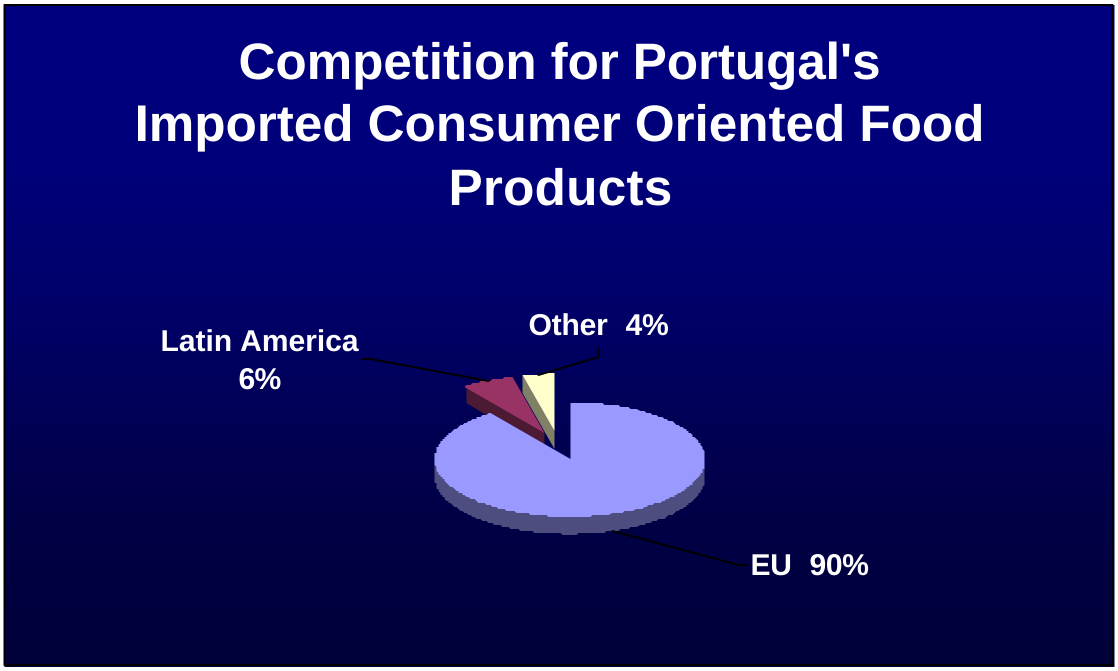
You may also consult the sector report PO3027 at http://www.fas.usda.gov/scripts/gd.asp?ID=146085427.



2. HRI Sector

The Portuguese Hotel, Restaurant and Institutional (HRI) food sector expanded significantly during the 80's and 90's due to profound social and economic changes. The importance of the sector and the continued specialization and growing level of management expertise among HRI players makes this sector an important area for U.S. food exporters.

The Portuguese HRI sector is very complex and diverse.

- Total number of food outlets rose from around 25,000 some 20 years ago to a total of around 90,000 outlets at present.
- The HRI sector employs around 450,000 people.
- Restaurant chains are gaining a large share of the market and are expected to continue growing.
- The HRI sector is forecast to expand at a 1-2 percent annual rate over the next 5 years.

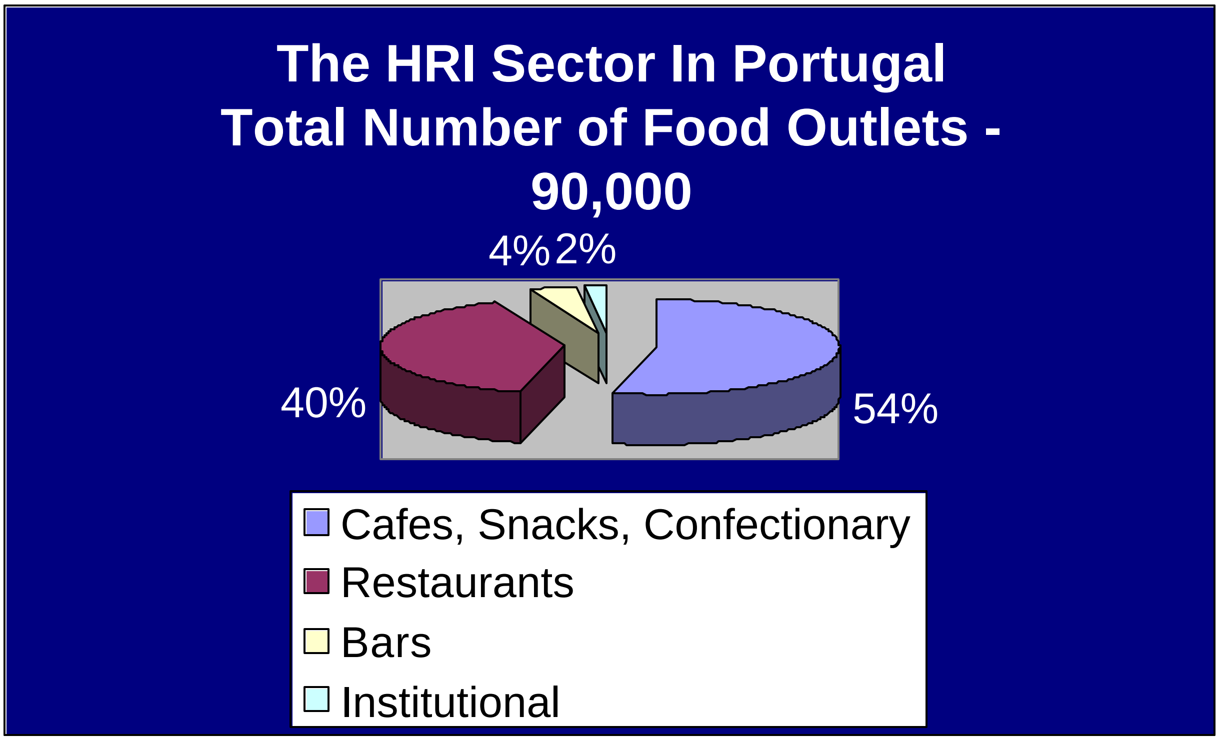
In 2002, the Portuguese spent 9.5 percent of their disposable income in hotels and restaurants, compared with 9.1 percent in 1995. In addition, consumption of ready-to-eat/take away food has grown significantly to meet the increased value consumers place on both convenience and time. Most hyper and supermarket chains offer ready-to-eat/take away food as well as many restaurants. There are also a significant number of food outlets specializing in take away food, ranging from barbecued poultry or other kinds of meat to more traditional meals, including soups, seafood, side dishes, etc.

Another factor that boosts demand for meals in the HRI sector is the growing number of tourists, foreign and domestic, who visit Portugal. According to the National Statistics

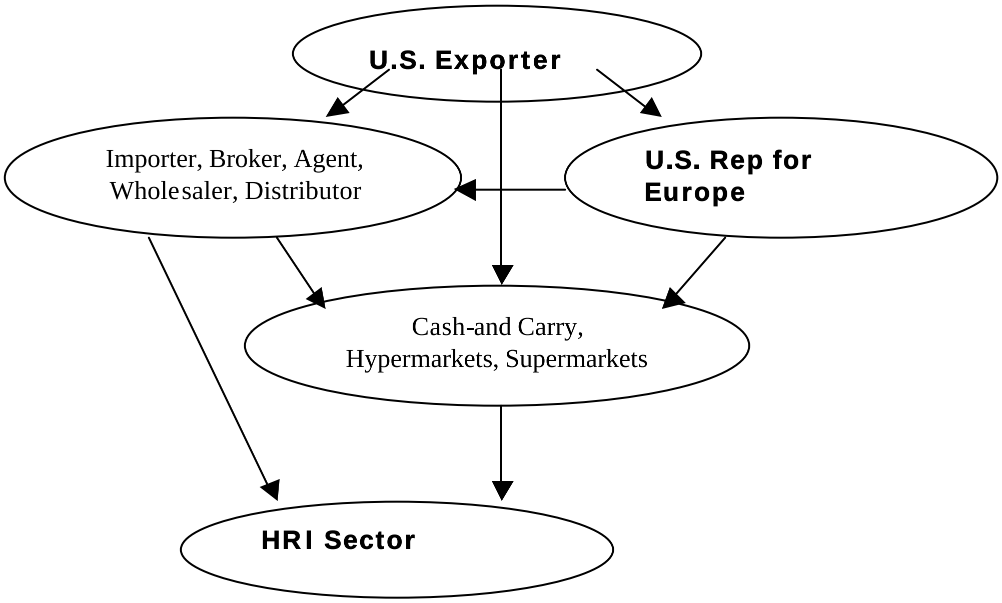
Institute, 34.1 million tourists visited Portugal in 2003: some 10.5 million were domestic tourists and 23.6 million, foreigners. (This data includes tourists who have spent at least an overnight in Portugal.) Although these figures reflect a decrease in tourists from 2002, their total expenditures increased by 1.7 percent to € 1.5 billion.

The large quantities of food sold through the HRI channels make it an important sector as food distribution is concerned. However, U.S. suppliers remain affected by some restrictions:

- Eu barriers against many imported food products from third countries.
- Competition from neighboring EU countries is fierce.
- Higher prices for U.S. food products relative to local market and/or neighboring EU countries.



Market Structure:



For more information on the Portuguese HRI Sector, please contact us at:

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You may also consult the sector report PO4006 at http://www.fas.usda.gov/scripts/gd.asp?ID=146106851.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Fish and Seafood
Tree Nuts
Peanuts
Edible Pulses
Wine, Beer and Bourbon
Dairy Products
Fruit Juices and Non-Alcoholic Beverages
Processed Fruits and Vegetables
Dried Fruits and Dried Fruit Mixes
Frozen Fruits and Vegetables, including French Fries
Microwavable Food Products, Frozen and Non-Frozen
Ready-to-eat Food Products, Frozen and Non-Frozen
Sauces and Condiments
Snack Foods

Breakfast Cereals
All Kinds of Low Calorie Products
Food Supplements and Health Foods
Herbal Teas
Organic Food Products
Ethnic Foods

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the Office of Agricultural Affairs in Lisbon at the following address:

Office of Agricultural Affairs Lisbon
US Embassy
Av. Das Forças Armadas
1600-081 Lisboa
Tel: 351-217702358
Fax: 351-217269721
Email: aglisbon@usda.gov
http://www.american-embassy.pt/

Please consult our home page for more information on exporting U.S. food products to Portugal, including "The Food Retail Sector Report" and "The HRI Food Service Sector Report". Importer lists are available from our office to exporters of U.S. food products. A list of Portuguese trade associations and useful government agencies is provided below:

1. Portuguese Trade Associations

APED-Associação Portuguesa de Empresas de Distribuição
(Portuguese Association of Distribution Companies)

Campo Grande, 285-5º
1700-096 Lisboa
Tel: 351-21-751-0920
Fax: 351-21-757-1952
www.aped.pt

ARESP-Associação da Restauração e Similares de Portugal
(Portuguese Associations for HRIs Sector)

Av. Duque d'Avila, 75
1000 Lisboa
Tel. 351-21-352-7060
Fax: 351-21-354-9428
Email: aresp@aresp.pt
www.aresp.pt

FIPA-Federação das Indústrias Portuguesas Agro-Alimentares
(Federation of the Agro-Food Portuguese Industries)

Av. António José de Almeida, 7-2º
1000-042 Lisboa
Tel: 351-21-793-8679
Fax: 351-21-793-8537
Email: info@fipa.pt
www.fipa.pt

2. Useful Government Agencies

Direcção Geral de Fiscalização e Controlo da Qualidade Alimentar
(General Directorate for Control of Food Quality)
Av. Conde Valbom, 96
1050 LISBOA
Tel. 351-21-798-3600
Fax: 351-21-798-3834
Email: direccao@dgfcqa.min-agricultura.pt
www.dgfcaq.min-agricultura.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)
Rua da Alfandega, No. 5 r/c
1149-006 Lisboa
Tel. 351-218813700
Fax: 351-218813990
Email: dgaiec@dgaiec.min-financas.pt
www.dgaiec.min-financas.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)
Direcção de Serviços do Licenciamentos (Import Certificates)
R. Terreiro do Trigo
Edif. Alfândega
1149-060 Lisboa
Tel. 351-218814262
Fax 351-218814261
Email: dsl@dgaiec.min-financas.pt
www.dgaiec.min-financas.pt

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov.

APPENDIX I. STATISTICS

Key Trade and Demographic Information

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 2002**	**$5,664 / 5%**
Consumer Food Imports From All Countries($Mil)/U.S. Market Share (%) [1/] **2002**	**$2,384 / 0.33%**
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 2002**	**$965 / 3%**
Total Population (Millions) / Annual Growth Rate (%) **- 2003**	**10.3 / 0.1%**
Urban Population (Millions) / Annual Growth Rate (%) **- 2003**	**3.5 / 0.1%**
Number of Major Metropolitan Areas	**2**
Size of the Middle Class (Millions) / Growth Rate (%) [2/] **- 2003**	**3.9 / 0.1%**
Per Capita Gross Domestic Product (U.S. Dollars) **- 2002**	**$15,619**
Unemployment Rate (%) **- 2003**	**6.3%**
Per Capita Food Expenditures (U.S. Dollars) **- 2000 (19%)**	**$3,200**
Percent of Female Population Employed **- 2003**	**46%**
Exchange Rate (US$1 = 1 Euro) **September 2004**	**0.80 Euros**

1/ Source: United Nations Statistics Division
2/ Office estimates.

Portugal's Food Imports

Portugal Imports (In Millions of Dollars)	Imports from the World 2000	2001	2002	Imports from the U.S. 2000	2001	2002	U.S Market Share (%) 2000	2001	2002
CONSUMER-ORIENTED AGRIC. TOTAL	2,111	2,280	2,384	6	7	8	0.29	0.29	0.33
Snack Foods (Excl. Nuts)	171	166	189	1	1	1	0.19	0.22	0.20
Breakfast Cereals & Pancake Mix	40	44	49	1	1	1	0.05	0.01	0.04
Red Meats, Fresh/Chilled/Frozen	407	385	402	0	0	0	0	0	0
Red Meats, Prepared/Preserved	56	65	80	0	0	0	0	0	0
Poultry Meat	23	25	20	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	175	258	243	1	1	1	0.05	0.02	0.01
Cheese	63	67	75	0	1	1	0	0.01	0.10
Eggs & Products	10	13	13	1	1	0	3	3	0
Fresh Fruit	249	328	316	1	1	1	0.27	0.01	0.01
Fresh Vegetables	90	120	123	0	0	1	0	0	0
Processed Fruit & Vegetables	151	147	157	1	1	1	0.17	0.19	0.20
Fruit & Vegetable Juices	56	36	40	1	1	1	0.04	0.03	0.04
Tree Nuts	20	18	18	1	2	1	3	8	5
Wine & Beer	133	106	102	1	1	1	0.03	0.10	0.72
Nursery Products & Cut Flowers	46	49	60	1	1	1	0.52	0.13	0.27
Pet Foods (Dog & Cat Food)	55	66	67	1	1	1	2	1	2
Other Consumer-Oriented Products	366	387	431	2	3	4	0.63	0.76	0.93
FISH & SEAFOOD PRODUCTS	879	957	965	23	37	28	3	4	3
Salmon	18	16	16	1	1	1	3	3	3
Surimi	4	10	18	1	2	3	6	20	16
Crustaceans	118	118	124	1	1	1	0.53	0.30	0.26
Groundfish & Flatfish	412	467	436	20	33	24	5	7	5
Molluscs	64	80	83	1	1	1	2	0.83	0.19
Other Fishery Products	263	265	287	1	1	1	0.24	0.13	0.07
AGRICULTURAL PRODUCTS TOTAL	3,850	4,068	4,222	170	168	209	4	4	5
AGRICULTURAL, FISH & FORESTRY TOTAL	5,241	5,494	5,664	233	243	276	4	4	5

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Portugal's Top 15 Food Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS			
($1,000)	2000	2001	2002
Spain	994,520	1,112,842	1,139,607
France	330,550	340,349	322,468
Germany	154,977	186,181	209,501
Netherlands	156,069	155,031	179,765
Belgium	62,095	64,985	82,877
Italy	62,638	57,379	79,272
United Kingdom	74,519	53,431	58,339
Costa Rica	24,993	40,744	41,661
Denmark	31,872	31,591	34,550
Brazil	25,217	30,964	31,546
Ireland	42,811	22,601	27,831
Ecuador	12,478	25,366	22,497
Colombia	17,332	22,757	15,362
Panama	6,107	12,799	14,983
Chile	9,439	10,720	13,326
Other	104,876	112,685	110,812
World	2,110,540	2,280,431	2,384,401

FISH & SEAFOOD PRODUCTS IMPORTS			
($1,000)	2000	2001	2002
Spain	302,563	332,363	354,296
Norway	114,928	106,462	88,529
Iceland	108,790	106,709	78,142
Denmark	28,511	42,792	66,329
Russian Federation	46,476	64,650	60,546
Netherlands	17,385	30,113	37,715
France	29,276	31,191	36,391
United States	22,980	36,821	27,526
Germany	15,416	20,323	21,831
Sweden	8,335	11,503	20,944
Mozambique	21,925	20,610	20,183
South Africa	17,353	18,348	17,657
United Kingdom	12,190	10,034	14,972
Mauritania	11,475	11,167	11,961
India	13,867	11,483	11,473
Other	107,471	102,646	96,726
World	878,949	957,216	965,220

Source: United Nations Statistics Division